

**NOTICE TO CERTIFIED SERVICE PROVIDERS (CSPs) and ALL SELLERS
REGISTERED AND REMITTING SALES/USE TAX UNDER THE STREAMLINED
SALES AND USE TAX AGREEMENT**

STATE OF ARKANSAS

September 1, 2005

1. Arkansas is an Associate Member State
2. Arkansas does not accept bulk payments with the Simplified Electronic Return (SER); consequently each return must have its own payment with identifying information.
3. All CSP payments must be made electronically. The Sales Tax Electronic Funds Transfer (EFT) Section can assist you in completion of the necessary documents for ACH Debit and ACH Credit transfers. Please contact Ms. Penny Grandon with the Sales Tax EFT Section at 501-682-7105.
4. Fed Wires normally are not allowed; however, can be authorized to comply with Section 319 of the Agreement. Since Fed Wires do not come in with account detailed information, all Fed Wires must be coordinated with the Sales Tax EFT Section in advance.
5. Prepayments cannot be included with the SER. If a payment is made through Arkansas' established Prepayment process, it can be claimed on the SER as a Prior Payment. For information about Arkansas' established Prepayment process, please contact Ms. Penny Grandon with the Sales Tax Prepay Unit at 501-682-7105.
6. The sections of the Agreement Arkansas has adopted and are effective July 1, 2005 are as follows:
 - a. Section 303—Seller Registration
 - b. Section 306—Relief From Certain Liability
 - c. Section 317—Administration of Exemptions
 - d. Section 318—Uniform Tax Returns
 - e. Section 319—Uniform Rules for Remittance of Funds
 - f. Section 325—Customer Refund Procedures
 - g. Section 329—Effective Date for Rate Changes
 - h. Section 402—Amnesty for Registration
 - i. Section 403—Method of Remittance
 - j. Section 501—Provider and System Certification
 - k. Sections 601, 602 and 603—Monetary Allowances for Model 1, 2, 3 and other sellers.

Please see Arkansas' Certificate of Compliance for specific references and detail.

7. CSPs must follow current Arkansas law when filing original and amended returns. The critical sections of the Agreement that are not effective yet and affects tax collection/reporting are as follows:
- a. Section 302—State and Local Tax Base—has an exception. Tangible personal property sold and taxable services performed inside the city limits of Texarkana Arkansas are exempt from sales tax if exempt from tax in the state of Texas. Any sale of tangible personal property by a registered out of state vendor to any person for delivery to Texarkana, AR for first use, storage, or consumption is exempt from vendor's use tax if the property is exempt or not taxed in the state of Texas.
 - b. Section 308—State and Local Tax rates—has an exception. The city of Texarkana additional tax will be administered as a special taxing jurisdiction. It is built into the Arkansas zip plus 4 rates and boundaries table.
 - c. Section 310 and 311—General Sourcing Rules and Definitions—are not effective until July 1, 2007. Arkansas' current law for sales tax calculation is collected based on where the sale takes place for sales/leases of tangible personal property and where the taxable service is performed for taxable services. Currently, for tangible personal property shipped into the state from outside the state, the local taxes are collected based on where the property comes to rest (delivered).
 - d. Sections 313, Direct Mail Sourcing, Section 314, Telecom Sourcing Rules, Telecom Sourcing Definitions are not effective until July 1, 2007.
 - e. Section 320—Uniform Rules for Recovery of Bad Debts are not effective until July 1, 2007. Consequently, taxpayers must file for bad debts in accordance Sales and Use Tax Regulation GR-18 (J). Sales tax must be remitted on an accrual basis and bad debts can only be claimed on the sales tax return after the bad debt is claimed on the federal income tax return. Seller's using a CSP may want to consider applying to file on a cash basis to alleviate this situation.
 - f. Section 323—Caps and Thresholds—Most Arkansas cities and counties have a local tax. However, the taxable amount is capped on the first \$2,500 per single transaction definition as defined by the local taxing jurisdiction. The state sales tax rate is never capped.
 - g. Section 328—Taxability Matrix—Arkansas has completed the taxability matrix and is posted on the state web site. However, Arkansas has not passed into law Section 328 (B) relieving sellers and CSPs from liability to state and its local jurisdictions for having charged and collected incorrect tax resulting from erroneous data in the matrix.
 - h. Part I (Administrative Definitions) The definitions in the agreement either are not effective in Arkansas until July 1, 2007 or have not been adopted in the law yet.
 - i. Please see Arkansas's certificate of compliance for reference and more detail.